

THE FOLLOWING BOARD PROFILES COMPRISE THE ESSENTIAL PART OF THIS REPORT. Since its inception, the Commission has sought to expand the information made available in these profiles in order to provide a clear picture of the activities of the retirement boards and the status of the retirement systems.

This year we compiled an important summary of audit findings that are set forth below. The PERAC audit function is central to the Commission's success. The audit staff serves as PERAC's main contact with the retirement boards for advice and assistance, through daily interaction with board members and administrators, publication of system audits, and participation in educational activity.

SUMMARY OF AUDIT FINDINGS

The audit staff in 2002 accomplished a number of objectives. These included conducting 37 field audits, revising both the *Internal Control Questionnaire* and the *Annual Statement*, and conducting training seminars, as well as participating in the UMass Educational Institute.

During the course of our field audits, PERAC's field auditors noted numerous findings in their reports. Some findings were noted at more than one board, and we feel it is helpful to share these repeat findings with board

members and staff. These common findings include, but are not limited to, the following:

- Treasurers not reconciling retirement fund cash accounts
- Inappropriate use of board credit cards
- Inadequate documentation of travel expenses
- Misclassification of expenses to incorrect accounts
- Inadequate reporting of member's contributions by member units (esp. counties)
- Pages in the *Annual Statement* not agreeing with the Supplemental Schedules
- Incorrect withholding of the 2% deduction in excess of \$30,000 in salary
- Not sending and/or reviewing annual affidavits to members
- Not transferring member balances to the Annuity Reserve Fund in the month in which the member retires
- Not ensuring member units pay appropriations according to the funding schedule
- Not utilizing Requests for Proposals (RFPs) when appropriate

- Not setting minimum requirements for attendance at board meetings by board members
- Not conducting executive sessions at meetings when appropriate
- Minutes from board meetings left unsigned by members in attendance
- Board members signing minutes of board meetings they did not attend

In addition to deterring wrongdoing and safeguarding member assets, our audits are intended as a teaching tool for retirement board members and staff. Each and every audit is carried out in that vein, and with the intent of providing feedback critical to the success of the retirement system, its board members, and its staff. We encourage you to consider the findings listed above and think of how you might avoid these same issues. Eliminating these potential problems at your board will be a good start to a clean audit report.

INTRODUCTION *to the* BOARD PROFILES